



**DEPARTMENT OF VETERANS AFFAIRS**  
Regional Office  
1240 East Ninth Street  
Cleveland OH 44199  
Website: <http://www.vba.va.gov/cleveland-rlc.htm>

August 1, 2003

**In Reply Refer To:** 325/263  
Information Letter 26-03-13  
(Rescinds Info Ltr. 26-02-12  
dated July 1, 2002)

**TO: All VA Loan Servicers and Holders Doing Business in Ohio, Delaware, Indiana, Michigan, New Jersey and Pennsylvania**

**SUBJ: Expenses for Property Inspections/Preservation of Security**

### **What is the purpose of this information letter?**

The purpose of this information letter is to set forth both the minimum requirements for the preservation of security, and also the maximum fees that will be reimbursed for properties located in Ohio, Delaware, Indiana, Michigan, New Jersey and Pennsylvania.

### **What is the effective date of this release?**

This release is effective immediately.

### **What is my responsibility?**

Holders are expected to exercise the same level of diligence and prudence in protecting and preserving the Department of Veterans Affairs (VA) guaranteed properties that would be provided if they could look only to the security for recovery. Reasonable action must be taken to protect and preserve properties against potential damage or to stop progressive deterioration, within legal limits. Most security instruments have a provision to protect the property securing the loan. The removal of hazardous materials, the correction of hazardous conditions, and the avoidance of liens are primary concerns. When routine inspections reveal vacancies and conditions that require correction for health/safety reasons, immediate corrective action should be taken, especially if a local authority (city, county, state) has dictated abatement.

## **How long does my responsibility last?**

Holders are cautioned that they are not responsible for protective measures after custody of a property has been delivered to VA. No reimbursement will be made for preservation completed on or after the day of foreclosure sale (or Confirmation of Sale in the state of Ohio), on or after the day the deed is recorded for a Deed-in-Lieu, or after an interest cut-off date, if one has been imposed.

## **What if I do not protect and preserve the security?**

If a property is damaged because of the holder's failure to take reasonable action to protect and preserve, the claim will be reduced accordingly. A failure to protect and preserve that results in a decreased value may also cause VA to decline to specify a bid amount. A holder may utilize any individual or firm as its agent to accomplish protection and preservation services, but the holder will remain fully responsible for the actions of its agent.

## **What if the property is abandoned?**

In cases where the loan is more than 30 days delinquent and the property is abandoned, the holder must take appropriate action to protect the property from vandalism and the elements. Expenses should be reasonable and necessary. Within 15 days after confirming abandonment, the holder must report the abandonment of the property to VA and immediately initiate appropriate action to terminate the loan

## **Do I need the prior approval of VA?**

The holder is responsible for taking appropriate measures to protect and preserve the security for the loan. Determining what action is necessary to fulfill this obligation is the holder's decision, and it is independent of the amount of the costs that VA will reimburse. Prior approval for incurred expenses is not required and will not be given. If an expense is not covered by this letter, or there are unusual circumstances that support additional expense, you may submit justification with your claim for consideration.

## **What expenses will I be reimbursed for?**

At the time of claim payment, holders will be reimbursed for property inspections and preservation costs incurred before the interest cutoff date, foreclosure sale date, or, for properties located in the State of Ohio, Confirmation of Sale date, whichever occurs first. Invoices or receipts must be submitted with the claim showing the date service

was performed. Maximum allowable amounts are shown on the attached schedule. In the rare instance that expenses are incurred outside these guidelines, a well-documented request should be submitted with the claim for consideration.

**Property inspections:**

- Inspections should be conducted whenever the servicer/holder becomes aware that the physical condition of the security may be in jeopardy. Unless a repayment agreement is in effect, a property inspection shall also be made:
  - Before the 60<sup>th</sup> day of delinquency or before initiating action to liquidate a loan, whichever is earlier; and
  - At least once each month after liquidation proceedings have been started unless servicing information shows the property remains owner occupied.
  - Whenever a servicer/holder obtains information which indicates that a property securing the loan is abandoned, it shall make appropriate arrangements to protect the property from vandalism and the elements. Thereafter, the servicer/holder shall schedule inspections at least monthly to prevent unnecessary deterioration due to vandalism or neglect. With respect to any loan more than 30 days delinquent, a property abandonment must be reported to the Secretary and appropriate action initiated under 36.4317(a) within 15 days after the holder confirms the property is abandoned.

**Property preservation:**

- Debris - Interior: Removal of debris from the interior of properties and/or interior cleaning is not required unless there may be a fire, safety, or health hazard. Hazardous cleaning materials must be removed from the premises. Contact local health and/or environmental agencies for guidance and notify VA of the hazard.
- Debris - Exterior: Exterior debris that presents a safety or health hazard requires removal. Examples might include trash, fallen trees or limbs, junk, and abandoned vehicles.

**Lockset installation:**

- An acceptable lock shall be installed in the door nearest the street. Existing lock and lock hardware on the door shall be removed and the door frame repaired prior to installation. When a lender installs the lockset, the keys (2) furnished with the lock must be forwarded to VA with VA Form 26-8903, Notice of Election to Convey and/or Invoice for Transfer of Property. These keys must be attached to receive reimbursement via the Claim Under Guaranty.
- All other exterior doors shall be secured and existing locks used when in good working order. All windows shall be closed and locked.
- On all vacant properties, the servicer/holder must arrange access so that the appraiser can conduct the liquidation appraisal. Failure to do so could result in VA being unable to issue bidding instructions for a pending sale.

**Required winterization services for all properties:**

- The water shall be shut off at the meter valve; the meter disconnected (not cut) and drained.
- Drain all water lines by opening all valves and faucets.
- Drain the hot water tank and open the safety relief valve from same.
- All commodes shall be flushed to drain all water from tank and bowl. Remaining water must be siphoned out.
- All drain traps must be siphoned of excess water.
- All water lines shall be blown clear of all water using a minimum 50 lb. of air pressure.
- Permanent non-staining anti-freeze suitable for plastic piping shall be poured into each commode bowl and all drain traps.

**Required winterization services for properties with hot water or steam heating systems:**

- Open all drain cocks on boiler.
- Open all valves and air bleeders on expansion tanks and radiators.
- All return lines shall be disconnected at the lowest point of the system and at boiler return entry, allowing all lines to drain.

**Required winterization services for properties with hot water radiant heating systems, water lines in concrete floor:**

- Drain boiler completely.
- Disconnect distribution lines at boiler and blow all lines free of water using minimum of 50 lb. of air pressure.

**Required winterization services for properties with hot water baseboard heating systems:**

- Drain boiler completely.
- Open all air bleeder valves.
- Disconnect distribution lines and blow all lines free of water using minimum of 50 lb. of air pressure.
- If heating system is multi-zoned, each zone or loop must have lines blown.
- A tag noting the date of winterization will be attached to the hot water tank, meter shut-off valve, all commodes and kitchen faucets.

**Winterization should normally be done to cover periods between October 1<sup>st</sup> and March 31<sup>st</sup>**

**Failure to properly winterize a property could result in substantial damage to the property, thereby increasing the risk of a No Bid/No Election case or claim adjustment.**

**Initial service lawn care:**

- Overgrown shrubs or tree branches that are hazardous or obstruct doorways, public walks and driveways shall be trimmed or removed. All observed trash and debris in the yard shall be removed as a part of the initial service.
- Lawns shall be cut to a height of two inches. The lawn shall be properly raked and the cuttings removed whenever the height of the grass exceeds six inches.

**Scheduled lawn care other than the initial service:**

- Scheduled lawn care shall begin on April 1<sup>st</sup> and end on September 30<sup>th</sup>. Cutting every 14 days is considered reasonable, except during very rainy periods when cutting every 10 days is considered reasonable.
- The entire lawn shall be cut to a height of two inches, unless area exceeds 40,000 square feet (see Exhibit B for instructions). Grass and weeds shall be trimmed around the foundation of all structures, planting beds and fences.

**Screening and boarding:**

- Screening and/or boarding should be done only in those areas where previous experience has shown vandalism and/or theft to be a regular problem or where special conditions exist that make it necessary.
- If VA screening/boarding guidelines are in conflict with local codes or ordinances, the local code or ordinance guidelines will be controlling.
- Windows with broken glass will be covered with 4 mil. plastic sheeting. Fees for services are expressed in terms of united inches, that is, the sum of the height and width of the window. A 30-inch by five foot window would be equivalent to 90 united inches.
- Screening - all windows on the first floor and basement level shall be covered with 4-mil. plastic sheeting and ¼" square wire mesh affixed to the frame with 5/8" staples.
- Boarding - Nail boarding is not acceptable. Boarding shall include doors, windows and other areas of the structure open to vandals or to the elements. Openings shall be secured by exterior graded plywood no less than ½" thick, or other material of equal strength, cut to fit into the openings. Openings in excess of 48" wide must be framed with 2" x 4" lumber 24" on center. The plywood or equivalent material shall be fastened into the openings by screws or lag screws. On metal casement windows, the openings will be bolt boarded.

**Roof repair:** Damaged areas of roof should be covered with tarp. Repairs should be made only when cost to repair will not exceed cost to tarp.

**Sump pumps:** Replacement must be substantiated by photos and will be verified by reviewing the liquidation appraisal. The servicer/holder is authorized to maintain the electricity on those properties where there is a sump pump. Reimbursement for this payment will be made on the Claim Under Guaranty when a paid receipt is provided.

**Swimming pools:** Proper care must be exercised to prevent any accidents. Water should be drained and all gates padlocked. If in poor condition, above ground pools can be removed as junk. Servicer/holders are to ensure compliance with all ordinances pertaining to swimming pools.

### **How much will I be reimbursed for?**

Please refer to the attached schedule titled EXHIBIT A for maximum allowable property preservation costs in Ohio, Delaware, Indiana, Michigan, New Jersey and Pennsylvania.

### **Whom do I contact for more information?**

If you have any questions regarding this bulletin please e-mail Gloria Randolph, Loan Administration Officer, at lgygrand@vba.va.gov.

/s/

JAMES L. BRUBAKER, JR.  
Loan Guaranty Officer

Attachment

**CLEVELAND REGIONAL LOAN CENTER**

**EXHIBIT A  
PROPERTY PRESERVATION COSTS  
INFORMATION LETTER 26-03-13, August 1, 2003**

	OH	IN	NJ	PA	DE	MI
<b>ALLOWABLE PROPERTY COSTS</b>						
Boarding/Screening Per Opening: With Standard Doors	\$50	\$50	\$50	\$50	\$50	\$50
Standard Doors	\$60	\$60	\$60	\$60	\$60	\$60
Patio Doors	\$75	\$75	\$75	\$75	\$75	\$75
Basement Windows	\$30	\$30	\$30	\$30	\$30	\$30
Front Door Primary Lock Change	\$75	\$75	\$75	\$75	\$75	\$75
Each Additional Door or Re-key	\$50	\$50	\$50	\$50	\$50	\$50
Hasp and Padlock (Garage/Outbuilding)	\$35	\$35	\$35	\$35	\$35	\$35
Debris Removal (If authorized, per cubic yard)	\$18	\$35	\$35	\$35	\$35	\$35
Lawn Care						
Initial Cut City Lot:	\$55	\$50	\$50	\$50	\$50	\$50
Recut City Lot:	\$35	\$35	\$35	\$35	\$35	\$35
Partial Cut Rural /40 ft around or Lg City Lot:	\$100	\$100	\$100	\$100	\$100	\$100
Recut Rural/Lg City Lot:	\$75	\$75	\$75	\$75	\$75	\$75
Swimming Pool (drain & remove)	\$350	\$250	\$250	\$250	\$250	\$450
Winterization:						
Hot Air or Electric Heat	\$100	\$100	\$100	\$100	\$100	\$100
Steam Heat	\$150	\$125	\$125	\$125	\$125	\$125
Sump Pump Installation/Replace	\$250	\$250	\$250	\$250	\$250	\$300
Sump Pump Installation with Plumbing	\$450	\$450	\$450	\$450	\$450	\$450
Tarp Roof	\$250	\$250	\$250	\$250	\$250	\$250
Property Inspections	\$20	\$20	\$20	\$20	\$20	\$20
Utility Bills	Costs reasonable and customary within the geographic area.					
<b>ALLOWABLE LEGAL FEES</b>						
Judicial Foreclosure	\$850	\$850	\$850	\$850	\$850	\$650
Deed in lieu	\$350	\$350	\$350	\$350	\$350	\$350
Bankruptcy Chapter 7	up to \$450	up to \$450	up to \$450	up to \$450	up to \$450	up to \$450
Bankruptcy Chapter 13	up to \$650	up to \$650	up to \$650	up to \$650	up to \$650	up to \$650
<b>EXPENSES ALLOWED ON A CLAIM</b>						
Abstracting or Title Policy	Actual	Actual	Actual	Actual	Actual	Actual
Preliminary Title Exams	up to \$350	up to \$350	up to \$350	up to \$350	up to \$350	N/A
Foreclosure Costs	All required costs are reimbursed based on statutory requirements in each state.					
Bankruptcy Filing Fees	\$75	\$75	\$75	\$75	\$75	\$75
Liquidation Appraisal - Single Family	\$325	\$325	\$325	\$325	\$325	\$325
Liquidation Appraisal - 2-4 Family	\$475	\$475	\$475	\$475	\$475	\$475
Mobile Home Repossession Fees & Charges	All required costs are reimbursed based on statutory requirements in each state.					
<b>SERVICING FEES</b>						
Late Charges	4% of an installment if permitted by the loan instruments. (All areas)					
NSF Checks	Costs reasonable and customary within the geographic area.					
Simple Assumption	\$50	\$50	\$50	\$50	\$50	\$50
Assumption with release of Liability	\$300	\$300	\$300	\$300	\$300	\$300
Charges for Duplicate Copies	Costs reasonable and customary within the geographic area.					
Year End Statements	Costs reasonable and customary within the geographic area.					
Amortization	Costs reasonable and customary within the geographic area.					
Note and Mortgage	Costs reasonable and customary within the geographic area.					
<p>ITEMS NOT ALLOWED ON A CLAIM: ROUTINE CERTIFIED MAIL      PARKING</p> <p>LATE CHARGES      RETURNED CHECKS</p> <p>LIFE INSURANCE      TELEPHONE CALLS</p> <p>MILEAGE      SALES TAX</p> <p>NOTARY FEES      FAX FEES</p> <p>PHOTOGRAPHS      PHOTOCOPIES</p>						